



08027741

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

OMB APPROVAL  
OMB Number: 3235-0123  
Expires: February 28, 2010  
Estimated average burden  
hours per response: 12.00

ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III

Mail Processing  
Section

FEB 27 2008

SEC FILE NUMBER  
8- 66484

FACING PAGE  
Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/07 AND ENDING 12/31/07  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: SYKES FINANCIAL SERVICES, LLC

OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

FIRM I.D. NO.

11 KNOB ROAD

(No. and Street)

MT. POCONO

PA

18344-1403

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

J.H. WILLIAMS & CO., LLP

(Name - if individual, state last, first, middle name)

270 PIERCE STREET

KINGSTON

PA

18704

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant  
☐ Public Accountant  
☐ Accountant not resident in United States or any of its possessions.

PROCESSED

MAR 21 2008

THOMSON  
FINANCIAL

FOR OFFICIAL USE ONLY

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

TA  
3/14

## OATH OR AFFIRMATION

I, WILLIAM R. SYKES, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of SYKES FINANCIAL SERVICES, LLC, as of DECEMBER 31, 20 07, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

W R Sykes  
Signature

President  
Title

Mary Pamela Amos  
Notary Public

COMMONWEALTH OF PENNSYLVANIA

NOTARIAL SEAL

MARY PAMELA AMOS, Notary Public  
Kingston Boro., Luzerne County  
My Commission Expires June 21, 2008

This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☒ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).**

**SYKES FINANCIAL SERVICES, LLC  
(A LIMITED LIABILITY COMPANY)**

**ANNUAL FINANCIAL STATEMENTS**

**DECEMBER 31, 2007**

**Sykes Financial Services, LLC**  
**(a Limited Liability Company)**  
**Table of Contents**  
**December 31, 2007**

---

	<u>Page</u>
Independent Auditors' Report .....	1
Financial Statements:	
Statement of Financial Condition .....	2
Statement of Income .....	3
Statement of Changes in Member's Equity .....	4
Statement of Cash Flows .....	5
Notes to Financial Statements .....	6 - 8
Supporting Information:	
Schedule I: Computation of Net Capital Under Rule 15c3-1 of the Securities and Exchange Commission.....	9
Independent Auditors' Report on Internal Control Required by SEC Rule 17a-5 for a Broker-Dealer Claiming an Exemption from SEC Rule 15c-3-3 .....	10 - 11



### Independent Auditors' Report

To the Member  
Sykes Financial Services, LLC  
11 Knob Road  
Mount Pocono, PA 18344

We have audited the accompanying statement of financial condition of Sykes Financial Services, LLC (a limited liability company) as of December 31, 2007, and the related statements of income, changes in member's equity, and cash flows for the year then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sykes Financial Services, LLC as of December 31, 2007, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supporting information contained in Schedule I is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*J. H. Williams & Co., LLP*

February 18, 2008

**Sykes Financial Services, LLC**  
**(a Limited Liability Company)**  
**Statement of Financial Condition**  
**December 31, 2007**

---

ASSETS

Cash	\$ 19,505
Accounts receivable - commissions	4,051
Prepaid expenses	2,382
Other current assets	1
Intangible assets, net of amortization of \$6,811	3,625
Security deposits	<u>404</u>
	<u>\$ 29,968</u>

LIABILITIES AND MEMBER'S EQUITY

LIABILITIES

Accounts payable - trade	\$ 51
Accounts payable - commissions	<u>3,882</u>

TOTAL LIABILITIES 3,933

MEMBER'S EQUITY 26,035

\$ 29,968

The accompanying notes are an integral part of these financial statements.

**Sykes Financial Services, LLC**  
**(a Limited Liability Company)**  
**Statement of Income**  
**For the year ended December 31, 2007**

---

**REVENUES**

Commissions	\$ 204,852
Miscellaneous revenues	<u>35,782</u>

**TOTAL REVENUES** 240,634

**EXPENSES**

Commissions	193,572
Regulatory fees and expenses	5,755
Supplies	3
Telephone	313
Internet fees	201
Miscellaneous fees	35,758
Insurance	520
Rent	3,024
Amortization	<u>2,087</u>

**TOTAL EXPENSES** 241,233

**NET (LOSS)** \$ (599)

The accompanying notes are an integral part of these financial statements.

**Sykes Financial Services, LLC**  
**(a Limited Liability Company)**  
**Statement of Changes in Member's Equity**  
**For the year ended December 31, 2007**

---

Balance at December 31, 2006	\$ 26,634
Net (loss)	<u>(599)</u>
Balance at December 31, 2007	<u>\$ 26,035</u>

The accompanying notes are an integral part of these financial statements.



**Sykes Financial Services, LLC**  
**(a Limited Liability Company)**  
**Statement of Cash Flows**  
**For the year ended December 31, 2007**

---

**CASH FLOWS FROM OPERATING ACTIVITIES**

Net (loss)	\$ (599)
Adjustments to reconcile net (loss) to net cash provided by operating activities	
Amortization	2,087
Increase (decrease) in cash resulting from changes in operating assets and liabilities:	
Accounts receivable - commissions	2,818
Prepaid expenses	(407)
Other current assets	75
Accounts payable - trade	(1)
Accounts payable - commissions	(2,452)

**TOTAL ADJUSTMENTS** 2,120

**NET CASH PROVIDED BY OPERATING ACTIVITIES** 1,521

**CASH FLOWS FROM INVESTING ACTIVITIES** -

**CASH FLOWS FROM FINANCING ACTIVITIES** -

**NET INCREASE IN CASH** 1,521

**CASH AT BEGINNING OF YEAR** 17,984

**CASH AT END OF YEAR** \$ 19,505

The accompanying notes are an integral part of these financial statements.

**Sykes Financial Services, LLC**  
**(a Limited Liability Company)**  
**Notes to Financial Statements**  
**December 31, 2007**

---

**NOTE 1 – Summary of Significant Accounting Policies**

**Organization and Nature of Business**

Sykes Financial Services, LLC, (a limited liability company) hereinafter referred to as "the Company" is a broker-dealer registered with the Securities and Exchange Commission (SEC) and is a member of the National Association of Securities Dealers (NASD). The Company was formed as a limited liability company with the Pennsylvania Department of State on March 9, 2004.

**Basis of Presentation**

The Company is not subject to SEC Rule 15c3-3, a computation for determination of reserve requirements, and claims an exemption under (K)(1).

The Company is engaged in a single line of business as a securities broker-dealer. The Company claims the (K)(1) exemption, as its business is limited to selling mutual funds on an application basis and/or selling variable life insurance or annuities.

Proprietary securities transactions in regular-way trades are recorded on the trade date, as if they had settled. Profit and loss arising from all securities transactions entered into for the account and risk of the Company are recorded on a trade date basis. Customers' securities transactions are reported on a settlement date basis with related commission income and expenses reported on a trade date basis.

Amounts receivable and payable for securities transactions that have not reached their contractual settlement date are recorded net on the statement of financial condition. Marketable securities are valued at market value, and securities not readily marketable are valued at fair value as determined by management.

**Commissions**

Commissions and related clearing expenses are recorded on a trade date basis as securities transactions occur.

**Sykes Financial Services, LLC**  
**(a Limited Liability Company)**  
**Notes to Financial Statements**  
**December 31, 2007**

---

**Income Taxes**

The Company is a limited liability company that has elected, with the consent of its single member, to be taxed under the Internal Revenue Code and the Commonwealth of Pennsylvania Tax Code as an S Corporation. In lieu of corporation income taxes, the shareholder of an S Corporation is taxed on his proportionate share of the Company's taxable income. Therefore, no provision or liability for federal or state income taxes has been included in the accompanying financial statements.

**NASD Membership**

NASD membership fee is recorded at cost or, if an other than temporary impairment in value has occurred, at a value that reflects management's estimate of the impairment. The membership fee is included in the accompanying financial statements as an intangible asset and is being amortized over sixty months. See Note 2.

**Statement of Cash Flows**

For purposes of the Statement of Cash Flows, the Company has defined cash equivalents as highly liquid investments, with original maturities of less than ninety days when purchased, that are not held for sale in the ordinary course of business.

**Commissions Receivable and Payable**

Commissions receivable and payable include amounts due from or to third parties for commissions on sales. These items are recorded based on the trade date of the security.

**Concentrations of Credit Risk**

The Company is engaged in various trading and brokerage activities in which counterparties primarily include other financial institutions. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counterparty.

**Sykes Financial Services, LLC**  
(a Limited Liability Company)  
Notes to Financial Statements  
December 31, 2007

---

**Net Capital Requirements**

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1 (and the rule of the "applicable" exchange also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1). At December 31, 2007, the Company had net capital of \$19,440, which was \$14,440 in excess of its required net capital of \$5,000. The Company's net capital ratio was 0.20 to 1.

**NOTE 2 - Intangible Assets**

Intangible assets were comprised of the following at December 31, 2007:

NASD membership fee	\$ 3,000
Organizational and start up costs	<u>7,436</u>
	10,436
Less: Accumulated amortization	<u>6,811</u>
	<u>\$ 3,625</u>

Estimated aggregate amortization is as follows for the years ending December 31:

2008	\$ 2,087
2009	1,538

**NOTE 3 - Related Party Transactions**

The sole member of the Company is a registered broker dealer. During the year ended December 31, 2007, the sole member earned \$152,144 of commissions. As of December 31, 2007, \$3,684 of commissions payable were to the sole member.

**Sykes Financial Services, LLC****(a Limited Liability Company)****Schedule I: Computation of Net Capital Under Rule 15c3-1 of the Securities and Exchange Commission****December 31, 2007****Net Capital**

Total member's equity	\$	26,035
Total member's equity qualified for Net Capital		<u>26,035</u>
Total capital and allowable subordinated liabilities		26,035
Deductions and/or charges:		
Nonallowable assets:		
12b1 fees receivable net of payable to representative	\$	-
Other assets		<u>6,595</u>
Total Deductions and/or Charges		<u>(6,595)</u>
Net Capital		<u>19,440</u>

**Aggregate Indebtedness**

Accounts payable - trade	51
Accounts payable - commissions	<u>3,882</u>
Total Aggregate Indebtedness (AI)	<u>3,933</u>

**Computation of Basic Net Capital Required**

Minimum net capital required (6.67% of AI)	<u>262</u>
Minimum dollar net capital requirement of broker/dealer	<u>5,000</u>
Net Capital Requirement (greatest of above two calculations)	<u>5,000</u>

Excess net capital 14,440

Excess net capital at 1000% (net capital less 10% of AI) 19,047

Ratio: Aggregate indebtedness to net capital 0.20

Net capital and ratios reconcile to FOCUS report Part II A  
Quarterly 17a-5(a) as of December 31, 2007



Independent Auditors' Report on Internal Control Required by SEC Rule 17a-5 for a  
Broker-Dealer Claiming an Exemption from SEC Rule 15c-3-3

To the Member  
Sykes Financial Services, LLC  
11 Knob Road  
Mount Pocono, PA 18344

In planning and performing our audit of the financial statements and supplemental schedule of Sykes Financial Services, LLC (a limited liability company), for the year ended December 31, 2007, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons and recordation of differences required by Rule 17a-13.
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.
3. Obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customer as required by Rule 15c3-3.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Rule 17-a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Independent Auditors' Report on Internal Control Required by SEC Rule 17a-5 for a  
Broker-Dealer Claiming an Exemption from SEC Rule 15c-3-3  
(Cont'd)

To the Member  
Sykes Financial Services, LLC

Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including control activities for safeguarding securities, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our audit of the financial statements, we believe that the Company's practices and procedures were adequate at December 31, 2007, to meet the SEC's objectives.

This report is intended solely for the information and use of the Member, management, the SEC and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

*J. H. Williams & Co., LLP*

February 18, 2008

**END**